

AITKIN MEMORIAL DISTRICT LIBRARY

Croswell, Michigan

FINANCIAL STATEMENTS

June 30, 2008

AITKIN MEMORIAL DISTRICT LIBRARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aitkin Memorial District Library
Crosswell, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Aitkin Memorial District Library as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Aitkin Memorial District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Aitkin Memorial District Library, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Aitkin Memorial District Library's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

Saginaw, Michigan
November 14, 2008

BASIC FINANCIAL STATEMENTS

AITKIN MEMORIAL DISTRICT LIBRARY

STATEMENT OF NET ASSETS

June 30, 2008

Assets:

Cash and cash equivalents	\$ 255,977
Investments	353,781
Receivables	34,456
Capital assets:	
Depreciable capital assets, net	<u>105,405</u>
Total assets	<u>749,619</u>

Liabilities:

Accounts payable and accrued expenses	6,989
Long-term liabilities:	
Due in more than one year	<u>12,389</u>
Total liabilities	<u>19,378</u>

Net assets:

Invested in capital assets	105,405
Restricted for:	
Nonexpendable trust principal	457,346
Unrestricted	<u>167,490</u>
Total net assets	<u>\$ 730,241</u>

The accompanying notes are an integral part of these financial statements.

AITKIN MEMORIAL DISTRICT LIBRARY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Program expenses:

Personal services	\$ 121,310
Materials and services	49,928
Depreciation	<u>21,090</u>
Total program expenses	<u>192,328</u>

Program revenues:

Charges for services	7,573
Operating grants and contributions	72,509
Capital grants and contributions	<u>7,000</u>
Total program revenues	<u>87,082</u>
Net program expenses (revenues)	<u>105,246</u>

General revenues:

Property taxes	198,069
Investment earnings	31,049
Gain on disposal of assets	<u>1,500</u>
Total general revenues	<u>230,618</u>
Increase in net assets	125,372
Net assets, beginning of year	<u>604,869</u>
Net assets, end of year	<u>\$ 730,241</u>

The accompanying notes are an integral part of these financial statements.

AITKIN MEMORIAL DISTRICT LIBRARY

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	<i>General Fund</i>	<i>Permanent Fund Hatti C. Aitkin Trust Fund</i>	<i>Total Governmental Funds</i>
Assets:			
Cash and cash equivalents	\$ 152,412	\$ 103,565	\$ 255,977
Investments	-	353,781	353,781
Taxes receivable	928	-	928
Due from other governmental units	33,528	-	33,528
Total assets	<u>\$ 186,868</u>	<u>\$ 457,346</u>	<u>\$ 644,214</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 4,853	\$ -	\$ 4,853
Accrued expenses	2,136	-	2,136
Total liabilities	<u>6,989</u>	<u>-</u>	<u>6,989</u>
Fund balances:			
Reserved for:			
Nonexpendable trust principal	-	457,346	457,346
Unreserved			
General fund	<u>179,879</u>	<u>-</u>	<u>179,879</u>
Total fund balances	<u>179,879</u>	<u>457,346</u>	<u>637,225</u>
Total liabilities and fund balances	<u>\$ 186,868</u>	<u>\$ 457,346</u>	<u>\$ 644,214</u>

The accompanying notes are an integral part of these financial statements.

AITKIN MEMORIAL DISTRICT LIBRARY

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

Total fund balances for governmental funds \$ 637,225

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	219,780	
Less accumulated depreciation	<u>(114,375)</u>	105,405

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Compensated absences payable	<u>(12,389)</u>
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Net assets of governmental activities \$ 730,241

The accompanying notes are an integral part of these financial statements.

AITKIN MEMORIAL DISTRICT LIBRARY

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	<i>General Fund</i>	<i>Permanent Fund Hatti C. Aitkin Trust Fund</i>	<i>Total Governmental Funds</i>
Revenues:			
Property taxes	\$ 198,069	\$ -	\$ 198,069
State grants	4,899	-	4,899
Contributions from other units	64,943	-	64,943
Charges for services	5,466	-	5,466
Fines and forfeits	2,107	-	2,107
Interest	1,840	-	1,840
Net investment earnings	-	29,210	29,210
Other revenue	11,167	-	11,167
Total revenues	288,491	29,210	317,701
Expenditures:			
Current			
Recreation and culture	159,952	950	160,902
Capital outlay	45,109	-	45,109
Total expenditures	205,061	950	206,011
Excess (deficiency) of revenues over expenditures	83,430	28,260	111,690
Other financing sources:			
Transfer from other fund	-	(13,759)	(13,759)
Transfer to other fund	13,759	-	13,759
Total other financing sources	13,759	(13,759)	-
Net change in fund balances	97,189	14,501	111,690
Fund balances, beginning of year	82,690	442,845	525,535
Fund balances, end of year	\$ 179,879	\$ 457,346	\$ 637,225

The accompanying notes are an integral part of these financial statements.

AITKIN MEMORIAL DISTRICT LIBRARY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 111,690

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	45,109	
Less depreciation expense	<u>(21,090)</u>	24,019

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	<u>(10,337)</u>
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Change in net assets of governmental activities \$ 125,372

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

AITKIN MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On November 6, 2006, pursuant to 1989 P.A. 24 of the State of Michigan, and effective November 1, 2006, for financial reporting purposes, the Croswell-Lexington School District and the City of Croswell agreed jointly to establish a District Library - the Aitkin Memorial District Library. The primary funding sources of the District Library are property taxes, penal fines, state aid, appropriations, and donations. The City of Croswell will appoint three library board members and the School District will appoint five library board members for a total of eight library board members.

The accounting policies of the Aitkin Memorial District Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library has adopted the position of the Governmental Accounting Standards Board regarding the definition of the "reporting entity." The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Accordingly, the Library has not consolidated any other governmental entities in its financial statements. The Library is not considered to be a component of any other unit.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

AITKIN MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

The statement of net assets and the statement of activities report information on all of the governmental activities. The Library only has governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. The Library first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Library does not allocate indirect costs.

The government-wide focus is on the sustainability of the Library as an entity and the change in the Library's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for the major governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Library reports the following major governmental fund:

General Fund – The General Fund is the primary operating fund of the Library. It is used to account for all financial resources.

AITKIN MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Assets, Liabilities and Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Expenditures – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenditures in both the government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Library defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Library books, media, and periodicals which comprise the Library's collections are recorded as assets at cost. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the capitalization threshold.

Buildings, furniture and equipment, vehicles and collections are depreciated using the straight-line method over the following useful lives:

Furniture and equipment	5-20 years
Collections	3-7 years

Compensated Absences – The Library currently follows the compensated absences policies of the City of Croswell. It is the City's policy to permit employees to accumulate earned but unused sick and vacation days. Under the City's policy, employees earn benefits based on time of service with the Library. The maximum accumulated payout at termination of unused sick hours is 960 and the maximum accumulated payout at termination of unused vacation hours is 240. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

AITKIN MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

Property taxes

Property taxes are levied each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. The library tax of .79 mills is levied for the Aitkin Memorial District Library by the City of Croswell and the Townships of Buel, Fremont, Lexington Speaker, and Washington. As of February 2007 the District Library operation tax millage request for .79 mills was passed for a term of ten years.

The 2007 ad valorem taxable valuation for the District Library was \$207,439,133.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An operating budget is adopted at the activity level each fiscal year for the General Fund on the modified accrual basis used to reflect actual revenues and expenditures. Budgetary control (the level at which expenditures may not legally exceed appropriations) is exercised at the activity level. Supplemental appropriations that amend the total of any fund and transfers of budget amounts between activity levels require board approval.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Library did not incur expenditures that were in excess of the amounts budgeted.

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library's deposits and investments have been made in accordance with statutory authority.

AITKIN MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

The Library's deposits and investments are subject to several types of risk, which are presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. The Library does not have a deposit policy for custodial credit risk. At year end, the Library's bank deposits of \$152,257 were being held in the pooled accounts of the City of Croswell. A portion of the City's accounts are insured by FDIC. The City's deposits are in compliance with statutory authority.

Custodial Credit Risk of Investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty in the Library's name:

<u>Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. government securities	\$ 353,781	Counterparty
Money market funds	103,565	Counterparty

Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. government securities	\$ 353,781	1.62

Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Money market funds	\$ 103,565	Not Rated	N/A

Concentration of Credit Risk:

The Library places limits on the amount the Library may invest in any one issuer. At June 30, 2008, there were no investments in any one issuer (other than the U.S. government and mutual funds) that exceeded more than 5 percent of total investments.

AITKIN MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

NOTE 4: CAPITAL ASSETS

Capital asset activity for the eight months ended June 30, 2008 follows:

	<i>Balance July 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance June 30, 2008</i>
Governmental activities:				
Depreciable capital assets				
Collections	\$ 162,590	\$ 22,536	\$ (25,721)	\$ 159,405
Furniture and equipment	<u>37,802</u>	<u>22,573</u>	<u>-</u>	<u>60,375</u>
Total depreciable capital assets	200,392	45,109	(25,721)	219,780
Accumulated depreciation	<u>(119,006)</u>	<u>(21,090)</u>	<u>25,721</u>	<u>(114,375)</u>
Depreciable capital assets, net	<u>81,386</u>	<u>24,019</u>	<u>-</u>	<u>105,405</u>
Governmental activities, capital assets, net	<u>\$ 81,386</u>	<u>\$ 24,019</u>	<u>\$ -</u>	<u>\$ 105,405</u>

NOTE 5: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end in the aggregate are as follows:

Receivables:

Property taxes receivable	\$ 928
Due from other governmental units	<u>33,528</u>
	<u>\$ 34,456</u>

Payables:

Accounts payable	\$ 4,853
Accrued expenses	<u>2,136</u>
	<u>\$ 6,989</u>

NOTE 6: RISK MANAGEMENT

The Library obtains its employee insurance coverage through the policies of the City of Croswell. The City uses commercial insurance companies. The Library reimburses the City for this cost.

The library building, which is owned by the City of Croswell, as well as the library's contents and other liabilities is insured under the City of Croswell's insurance policy. The Library reimburses the City for the cost of insurance.

AITKIN MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

NOTE 7: LONG-TERM LIABILITIES

The Library may issue loans and notes to provide for the acquisition of major capital facilities and the acquisition of certain equipment. Loans and notes are general obligation debt and are direct obligations and pledge the full faith and credit of the Library. Other long-term obligations include compensated absences.

The following is a summary of long-term liabilities transactions for the year ended June 30, 2008:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>
Governmental activities:				
Compensated Absences	\$ 2,052	\$ 10,337	\$ -	\$ 12,389
Total governmental activities				
- long-term liabilities	<u>\$ 2,052</u>	<u>\$ 10,337</u>	<u>\$ -</u>	<u>\$ 12,389</u>

NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Eligible Library employees were covered under the City of Croswell's retirement plan through December 31, 2007, after which they are covered under the Library's own plan. The Library reimbursed the City for the contributions made to the Michigan Municipal Retirement System (MERS) for the Library employees through December 31, 2007. As of January 1, 2008 the Library made contributions to its own plan.

The assets and liabilities attributed to the Library employees were transferred to the Library's plan as of January 1, 2008.

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The Library's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy – The Library is required to contribute at an actuarially determined rate. For the year ended June 30, 2008 the rate was 14.98%. The contributions requirements of the Library are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Library, depending on the MERS contribution program adopted by the Library.

AITKIN MEMORIAL DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS, continued

Annual Pension Costs – For the fiscal year ended June 30, 2008, the Library's annual pension cost of \$5,846 for the plan was equal to the actual contribution. The annual required contribution was determined as part of an actuarial valuation for the City at December 31, 2005, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of June 30, follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual pension cost	\$ 5,846	\$ 7,830	N/A
Percentage of annual pension cost contributed	100%	100%	N/A
Net pension obligation	-	-	N/A

Funded Status –

A schedule of funding progress as of the most recent actuarial valuation is as follows:

<u>Actuarial Valuation Date</u>	<u>12/31/06</u>
Actuarial Value of Assets	\$ 46,212
Actuarial Accrued Liability (AAL)	73,018
Unfunded AAL (UAAL)	26,806
Funded Ratio	63%
Covered Payroll	46,727
UAAL as a percentage of covered payroll	57%

NOTE 9: AGREEMENTS

The Library has a lease for the library building with the City of Croswell. The lease becomes effective when the Library obtains tax funding and requires a payment of \$750 per month to the City. The lease is for one (1) year through October 24, 2008. The lease automatically renews annually unless either party gives written notice thirty (30) days before the expiration of the then current term. The City may increase the lease payment amount upward annually by no more than 3%.

The Library has an employee leasing agreement with the City of Croswell. Under this agreement, the City provides certain city employees to staff the library. This agreement ended as of June 30, 2008.

The Library has an agreement whereby the City of Croswell will provide \$33,822 of funding for the 2008 fiscal year. In compliance with this agreement, the City transferred \$33,822 to the Library for the fiscal period ended June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

AITKIN MEMORIAL DISTRICT LIBRARY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Property taxes	\$ 156,000	\$ 197,141	\$ 198,069	\$ 928
State grants	3,000	4,865	4,899	34
Contributions from other units	62,822	65,553	64,943	(610)
Charges for services	3,840	6,616	5,466	(1,150)
Fines and forfeits	2,000	2,110	2,107	(3)
Interest and rents	1,200	1,800	1,840	40
Other revenue	500	2,667	11,167	8,500
Total revenues	<u>229,362</u>	<u>280,752</u>	<u>288,491</u>	<u>7,739</u>
Expenditures:				
Current				
Recreation and culture	184,486	167,067	159,952	(7,115)
Capital outlay	<u>27,000</u>	<u>45,500</u>	<u>45,109</u>	<u>(391)</u>
Total expenditures	<u>211,486</u>	<u>212,567</u>	<u>205,061</u>	<u>(7,506)</u>
Excess (deficiency) of revenues over expenditures	17,876	68,185	83,430	15,245
Other financing sources (uses):				
Transfer from Trust Fund	<u>19,000</u>	<u>19,000</u>	<u>13,759</u>	<u>(5,241)</u>
Net change in fund balance	36,876	87,185	97,189	10,004
Fund balance, beginning of year	<u>82,690</u>	<u>82,690</u>	<u>82,690</u>	<u>-</u>
Fund balance, end of year	<u>\$ 119,566</u>	<u>\$ 169,875</u>	<u>\$ 179,879</u>	<u>\$ 10,004</u>

OTHER SUPPLEMENTAL INFORMATION

AITKIN MEMORIAL DISTRICT LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2008

Revenues:

Current taxes:

Property taxes	\$ 198,069
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State Grants:

State aid	4,899
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Contribution from other units:

County penal fines	31,121
City of Croswell	33,822
	<u>64,943</u>

Charges for services

Other revenue	<u>5,466</u>
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Fines and forfeits

Library fines	<u>2,107</u>
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Interest and rents:

Interest	<u>1,840</u>
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Other Revenue:

Sale of capital assets	1,500
Contributions and donations	<u>9,667</u>
	<u>11,167</u>

Total revenues	288,491
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Other Financing Sources:

Transfer from Trust Fund	<u>13,759</u>
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Total revenues and other financing sources	<u>\$ 302,250</u>
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AITKIN MEMORIAL DISTRICT LIBRARY

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2008

Recreation and Culture:

Library:

Personnel	\$ 80,837
Fringe benefits	30,136
Supplies	2,359
Contracted services	9,071
Contracted services - Elk Township Library	7,144
Communication	1,293
Dues and subscriptions	2,608
Conference and travel	2,607
Printing and publishing	275
Insurance	2,943
Utilities	8,969
Repairs and maintenance	1,531
Equipment rental	134
Other	<u>10,045</u>
Total recreation and culture	159,952

Capital Outlay:

Recreation and culture	<u>45,109</u>
Total expenditures	<u><u>\$ 205,061</u></u>



REQUIRED COMMUNICATION TO THE AITKINS MEMORIAL DISTRICT LIBRARY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Library Board
Aitkins Memorial District Library

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aitkins Memorial District Library for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our revised engagement letter. You have elected to exclude the Management's Discussion & Analysis which is not a required part of the basic financial statements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Aitkins Memorial District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Library, appropriately, uses an estimated useful life of three (3) to seven (7) years for books and periodicals that are depreciated.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 14, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Aitkins Memorial District Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Aitkins Memorial District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of the internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the Library has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the Library has placed reliance on its external auditors, who cannot by definition be considered a part of the Library's internal controls.

Cause: This condition was caused by the Library's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the Library to perform these tasks internally.

Effect: As a result of this condition, the Library lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Library has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Library to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, the Board, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

Saginaw, Michigan
November 14, 2008